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SUBJECT: BRAZIL: U.S. CARRIERS EXPLORE NEW ENTRY POINTS DESPITE FREQUENCY LIMITATIONS

¶1. (U) This cable contains business-proprietary information. It has been coordinated with AmConsulate General Sao Paulo.

¶2. (SBU) Summary. During a recent trip to Sao Paulo, Charge met with local United and American Airlines representatives to gauge their interest in offering air connections to the U.S. to the currently neglected North and Northeast regions of Brazil. (At present, the vast majority of flights to/from the U.S. originate/terminate in either Sao Paulo or Rio de Janeiro, with only the Brazilian carrier TAM providing once-weekly service between the Northeastern city of Recife and the U.S.) Officials from both United and American told us that they were considering adding flights to serve underrepresented cities such as Salvador, Fortaleza, Recife and Brasilia, but a key factor in their decision making would be the ability of the USG to provide non-immigrant visa services in the North and Northeast, thereby expanding the pool of potential travelers. With respect to the Brazilian government's visa policy, our American Airlines (AA) contact stated that both the Minister of Tourism and tourism officials were pushing a bill in the Brazilian Congress which would lift visa requirements on U.S. citizens visiting Brazil. Meanwhile, it appears that the Brazilian government has quietly ceased photographing/fingerprinting Americans arriving via air in Brazil. End Summary.

¶3. (SBU) In a January 17 conversation with Charge, Sao Paulo CG, FCS Chief and EconCouns, AA Brazil Director Erlin Rodrigues told us that his airline was currently debating whether to initiate regularly scheduled service from Salvador, Recife and/or Fortaleza to the U.S.

The two principal factors critical to the decision were: 1) the availability of the appropriate 757 aircraft, and 2) the ability of the USG to provide additional non-immigrant visa services in the Northeast (thereby expanding the potential pool of travelers). Currently, Brazilian visa seekers from the North and Northeast must travel a considerable distance and incur substantial expense to appear for the requisite interview. Rodrigues stated that even though U.S. carriers had exhausted all their frequencies under the Brazil-U.S. civair bilateral, he felt confident that given its desire to promote the development of the North and Northeast, the GOB would approve a waiver to allow these flights. Such a precedent already exists, he observed, as civair authorities had approved a similar waiver to permit TAP to fly from Northeast Brazil to Portugal. In view of the poor financial health at Varig and the resultant market uncertainties for Brazilian carriers, Rodrigues was not sanguine about the prospect of the GOB seeking to liberalize the current bilateral anytime soon.

¶4. (SBU) The next day, Charge, accompanied by the same roster of Embassy/Consulate officials, met with United Airlines Brazil Chief Josue Meza and his Sao Paulo sales chief Luiz Henrique Camillo. The United pair noted that their airline was looking at initiating a daily Rio-Brasilia-Washington flight. The key question to be

resolved, Meza said was whether there will be sufficient Brasilia traffic to sustain the route. United could consider as well adding a Sao Paulo - Manaus - Miami flight, but whether this would be profitable would depend upon the availability of adequate NIV services in the Northeast, the degree to which the route would attract business travelers, and the willingness of the GOB to facilitate visas to Amcits traveling to Brazil. Meza noted that it would be helpful if the GOB were to expand its visa processing capacity, lower its visa fees or do away with the visa requirement altogether. (AA's Rodrigues made a similar investigation).

¶4. (SBU) Charge pointed out that there was currently a bill circulating in the Brazilian Congress which, if passed, would eliminate visa requirements for Americans. It would be helpful, he continued, if concerned tourist industry officials could work with the bill's legislative sponsor, the Minister of Tourism, and the Embassy to push this measure forward. The Brazilian Foreign Ministry, everyone felt, might be the bill's most forceful opponent, given its traditional insistence on strict reciprocity. Meanwhile, our interlocutors told us it appears that three months ago the GOB quietly dropped its requirement that American visitors arriving in Sao Paulo be fingerprinted and photographed. This requirement had already been lifted in Rio, at the behest of the tourist industry. Consul General noted that the USG was doing its part to facilitate two-way travel as waiting times for visa interviews in Sao Paulo had dropped under 50 days, with the Consular Section interviewing 1000 people a day.

¶5. (SBU) Finally, our United contacts stated that should its Brazilian codeshare partner Varig go bust, the Minister of Tourism had already stated that U.S. airlines will be temporarily allowed to increase their frequencies to fill the void created by the demise of Brazil's principal international carrier. (Whether United would

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have sufficient aircraft available to take advantage of this opportunity was another story, Meza admitted, noting that the company's current focus was its highly profitable Pacific routes.) Once TAM was ready to assume Varig's transcontinental routes and Gol, Varig's South American routes, then frequency numbers would revert to normal (except for any approved exceptions). However, Meza stated that his gut feeling was that Varig would eventually survive, though perhaps owned or managed by TAP as that seemed to be the GOB's preferred solution. Comment. With the recent sale of Varig's cargo and logistical arms to outside investors and the payment of leasing company creditors with the proceeds from these transactions, Varig has gained at least a few more months of life. End Comment.

CHICOLA